

**Board of Commissioners**  
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**Executive Director**  
Stuart Grogan



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## HOUSING KITSAP BOARD OF COMMISSIONERS

### MEETING AGENDA

**June 05, 2018**

**3:15 pm - 4:00 pm**

**Council Chambers, Norm Dicks Government Center, 345 6<sup>th</sup> St.**

- 1. Call to Order**
- 2. Public Comment** (Please limit comments to 3 minutes)
- 3. Approval of Agenda**
- 4. Discussion items**
  - a. Update on HK financials** **(Wendy Dutenhoeffer)** **Page 2**
- 5. Executive Session to consider a Personnel Issue (RCW 42.30.110 (g)) (Stuart Grogan)**
- 6. For the good of the order**
- 7. Adjourn**



## Board of Commissioners

### Agenda Item Summary

**MEETING DATE:** June 5, 2018

**AGENDA ITEM:** 4.A

**AGENDA ITEM:** UPDATE ON HK FINANCIALS

**SUBMITTED BY:** Wendy Dutenhoeffer

**TITLE:** Chief Financial Officer

**Reviewed and approved for inclusion in the packet by:** Executive Director

**ATTACHMENTS:** HK Interim Financial Statements as of 03.31.18; MRI Schedule

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**STRATEGIC PLAN LINK:** Goal 1

**FISCAL IMPACT:** None

**RECOMMENDATION:** Discussion

Attached are HK Interim Financial Statements as of 03.31.2018 and a preliminary schedule for the implementation of the MRI Financial Software.

**SUMMARY STATEMENT:**

**RECOMMENDED ACTION:**

None; discussion and update only

#### **4. Discussion items (Wendy Dutenhoeffer)**

##### **Update on HK financials**

As was described in the Board memo for May 22, 2018, staff is actively working with MRI and Boston Post to implement the two arms of the software system: property and financial. Staff has been compiling information for Boston Post, the property side of the system, and has completed the set up for six sites. Two more groups of six are anticipated in the coming months. Staff and the project management team at Boston Post are laying out a schedule for actual resident data entry for the first six sites. The process will be a template for the remaining two groups. The MRI blueprinting for AR, AP, Job Costing, Purchase Orders and General Ledger planning and implementation trainings happened on May 31 and June 1 and resulted in some very clear agreements about structure, the system and the future direct/manual input of verified data from prior years up to the current date. A copy of the preliminary schedule for the MRI implementation is attached.

Staff has been focused on drafting preliminary Financial Statements for the Board and in anticipation of other deadlines. One of HK's temporary consulting staff has led this process for the last several weeks; a copy of the draft financial statement, through March, 2018, is attached.

One of the other issues that staff tracks on a regular basis is available cash. This is monitored, almost on a daily basis, to insure sufficient cash is available to meet HK's expenses and especially payroll. Based on a pretty comprehensive analysis of our current situation, for just HK and not including the component units, we will have sufficient cash to meet our obligations well into next year with some the assumptions as noted below:

1. HK has been covering Kitsap Apartment's debt service for a few years as the site stabilized operations. It owes HK approximately \$568,000. The analysis above assumes that at least part of that loan is paid back to HK.
2. In 2015, the NMTC partnership withheld approximately \$450,000 from distribution for use on future NMTC applications and projects. Those funds were the result of the exit and dissolution of one of the partnerships. In 2018, two more subsidiaries will also exit; one is complete and the other will exit later this summer. The total expected to be available for distribution is approximately \$800,000. This analysis assumes that most, if not all of those funds will be distributed to the partners including HK.
3. This analysis does not assume the release for HK use of \$250,000 that is held in the Harborside bond reserve.
4. We anticipate some salary savings from the recent departures and retirements of staff. Those departures will result in some reorganization of the Business and Technology Resources team. That reorganization should also capture some savings from operational efficiencies from the new software.
5. Additional savings will be captured in the above analysis with the resumption of loan payments by Kitsap Apartments which will reduce the demand on HK cash; that is not shown above.

6. Rental Assistance Demonstration (RAD) costs are included in the above expenses. While we had expected to pay for the project from a restricted account, those funds turned out to not be available. While this is, and has been, a burden to the organization, we do anticipate repayment upon closing the bonds and starting construction of the projects.
7. The analysis above includes anticipated receipts from the sale of lots and payments resulting from the “waterfalls” of HK’s component units such as our low income housing tax credit partnerships.
8. With the adoption of the annual budget in February, 2018, staff noted that to close the gap, HK would improve operations by reducing expenses and reducing demands on available cash from existing debt as noted below:

a. Bring all properties to break even status	\$ 241,912
b. Reduction in force savings	\$ 154,463
c. Rent increases	\$ 74,701
d. Debt service (DS) reductions from Kitsap Apts	\$ 200,000
e. DS from Madrona	\$ 14,100
f. DS from Heritage and Viewmont	\$ 68,000

To date, we will have realized savings in some of these areas but not all. These tasks will continue to guide staff during the remainder of the year and into next year in order to balance the budget.

As previously noted, the 2019 budgets are in process and are expected to be available to the Board at the end of June.

# Kitsap - Project Plan



Status	Task Name	Duration	Start Date	End Date	Predecessors	Owner	Progress	Assigned To
1	■ <b>PHASE I</b>	84d	05/04/18	08/29/18				
2	■ <b>Initiate</b>	1d	05/04/18	05/04/18				
3	Kick-Off Call	1d	05/04/18	05/04/18				abi.conklin@mrisoftware.com
4								
5	■ <b>Blueprint</b>	52d	05/31/18	08/10/18				
6	Solution Design Workshops	2d	05/31/18	06/01/18		MRI		abi.conklin@mrisoftware.com
7	Project Plan Design	2d	05/31/18	06/01/18		MRI		abi.conklin@mrisoftware.com
8	Solution Design Document	50d	06/04/18	08/10/18	6, 7	MRI		matt.mellinger@mrisoftware.com
9								
10	■ <b>Build</b>	30d	06/04/18	07/13/18				
11	User Setup	5d	06/04/18	06/08/18	6	Client		Wendy Duttenhoeffer
12	Security Setup	20d	06/11/18	07/06/18	11	Client		Wendy Duttenhoeffer
13	■ <b>General Ledger</b>	30d	06/04/18	07/13/18		Client		Wendy Duttenhoeffer
14	Chart of Accounts & Mapping	10d	06/04/18	06/15/18	6	Client		Wendy Duttenhoeffer
15	Entity, Project, Bank	10d	06/04/18	06/15/18	6	Client		Wendy Duttenhoeffer
16	Bank Mapping	5d	06/18/18	06/22/18	14, 15	Client		Wendy Duttenhoeffer
17	General Ledger History	20d	06/18/18	07/13/18	14, 15	Client		Wendy Duttenhoeffer
18	Budget	20d	06/18/18	07/13/18	14, 15	Client		Wendy Duttenhoeffer
19	Financial Formats	20d	06/18/18	07/13/18	14	Client		Wendy Duttenhoeffer
20	Departments	20d	06/04/18	06/29/18	6	Client		Wendy Duttenhoeffer
21	■ <b>Accounts Payable</b>	40d	06/04/18	07/27/18		Client		Wendy Duttenhoeffer
22	Vendors	20d	06/04/18	06/29/18	6	Client		Wendy Duttenhoeffer
23	Expense Control	15d	06/25/18	07/13/18	11, 14FS +5d	Client		Wendy Duttenhoeffer
24	Check Batch Approval	15d	06/25/18	07/13/18		Client		Wendy Duttenhoeffer
25	Open AP	5d	07/23/18	07/27/18	22FS +15d	Client		Wendy Duttenhoeffer
26	■ <b>Purchase Order</b>	30d	06/04/18	07/13/18		Client		Wendy Duttenhoeffer
27	PO Users & Limits	20d	06/04/18	06/29/18	6	Client		Wendy Duttenhoeffer
28	Open POs	10d	07/02/18	07/13/18	22, 14	Client		Wendy Duttenhoeffer
29	■ <b>Job Cost</b>	20d	06/18/18	07/13/18		Client		Wendy Duttenhoeffer
30	Cost List & Cost Codes	5d	06/18/18	06/22/18	6, 14	Client		Wendy Duttenhoeffer
31	Job Codes	15d	06/25/18	07/13/18	30	Client		Wendy Duttenhoeffer
32	Grant Tracking	15d	06/25/18	07/13/18	30	Client		Wendy Duttenhoeffer
33	Contracts	15d	06/25/18	07/13/18		Client		Wendy Duttenhoeffer
34								
35	■ <b>Inspect</b>	10d	07/16/18	07/27/18				
36	Validation	5d	07/16/18	07/20/18	13	Client		Wendy Duttenhoeffer
37	UAT	5d	07/23/18	07/27/18	36	Client		Wendy Duttenhoeffer

Status	Task Name	Duration	Start Date	End Date	Predecessors	Owner	Progress	Assigned To
38								
39	<b>■ Launch</b>	23d	07/30/18	08/29/18				
40	<b>■ Training</b>	2d	07/30/18	07/31/18		MRI		matt.mellinger@mrisoftware.com
41	AP Training	1d	07/30/18	07/30/18		MRI		matt.mellinger@mrisoftware.com
42	PO Training	1d	07/30/18	07/30/18		MRI		matt.mellinger@mrisoftware.com
43	Job Cost Training	1d	07/30/18	07/30/18		MRI		matt.mellinger@mrisoftware.com
44	GL Training	1d	07/31/18	07/31/18		MRI		matt.mellinger@mrisoftware.com
45	Final Inspection	1d	08/01/18	08/01/18		Client		Wendy.Duttenhoeffer
46	Go Live	20d	08/02/18	08/29/18		Client		Wendy.Duttenhoeffer
47								
48	<b>■ PHASE II</b>	30d	TBD	TBD				
49	Budgeting and Forecasting							
50								
51								
52	*	Thursday Mornings PST (Thursday Midday EST) - Not available						
53								
54	<b>Status Legend:</b>							
55	On track							
56	There is a risk of delay							
57	There are issues or delays							
58	Completed							

**HOUSING KITSAP**  
**Unaudited Statements of Net Position - For Management Purposes Only**  
**Nine Months Fiscal Year to Date as of March 31, 2018**

*HK BUSINESS TYPE ACTIVITIES ONLY (Not Consolidated to include Component Units)*

	CURRENT FYTD	COMPARATIVE FYTD
	<u>3/31/2018</u>	<u>3/31/2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 2,310,695	\$ 2,699,583
Investments	75,715	84,816
Receivables - Net of Allowance for Uncollectible Accounts	2,138,816	1,826,531
Inventory and Other Assets	61,069	89,825
Assets Held for Sale (Self Help Projects)	2,132,144	2,805,376
Restricted Assets	3,997,565	2,905,403
Total Current Assets	<u>10,716,004</u>	<u>10,411,534</u>
Capital and Long Term Assets		
Capital Assets - Net of Accumulated Depreciation	24,483,024	24,919,541
Notes, Mortgages, and Lease Receivable - Long Term	4,895,231	5,777,491
Deferred Charges - Net of Amortization	-	-
Investment in Tax Credit Partnerships	673,067	672,388
Due from Component Units - Long Term	32,504,146	32,725,798
Interfund Receivable - LOC	507,625	506,578
Total Capital and LT Assets	<u>63,063,094</u>	<u>64,601,796</u>
Total Assets	<u>73,779,097</u>	<u>75,013,330</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amount on Refunding	712,350	723,235
Deferred Outflow - Pension Expense (GASB 68)	596,049	396,364
Total Deferred Outflows of Resources	<u>1,308,399</u>	<u>1,119,599</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 75,087,496</u>	<u>\$ 76,132,929</u>
<b>LIABILITIES</b>		
Short Term Liabilities		
A/P and Interfunds	\$ 2,328,027	\$ 1,371,818
ST Debt	2,259,634	1,933,008
Payable from Restricted Assets	163,122	168,033
Total ST Liabilities	<u>4,750,783</u>	<u>3,472,859</u>
Long Term Liabilities		
LT Debt	42,010,592	41,389,841
Net Pension Liability (GASB 68)	2,593,961	2,204,987
Unearned Revenue & LT Interfund	13,075,957	14,664,283
Total LT Liabilities	<u>57,680,510</u>	<u>58,259,111</u>
Total Liabilities	<u>62,431,293</u>	<u>61,731,970</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Proportionate Share (GASB 68)	23,194	
Deferred Inflows - Net Difference in Investment Earnings (GASB 68)	<u>137,470</u>	<u>408,996</u>
Total Deferred Inflows of Resources	<u>137,470</u>	<u>432,190</u>
<b>NET POSITION</b>		
Net Position, Beginning of Year	12,813,647	13,249,419
Prior Period Adjustment	-	
Fiscal Year to Date Net Increase / (Decrease) in Net Position	( 294,914 )	719,350
Total Net Position	<u>12,518,733</u>	<u>13,968,769</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 75,087,496</u>	<u>\$ 76,132,929</u>

**HOUSING KITSAP**  
**Unaudited Statement of Revenue, Expense & Change in Net Position -For Management Purposes Only**  
**Nine Months Fiscal Year to Date as of March 31, 2018**

*H/K BUSINESS TYPE ACTIVITIES ONLY (Not Consolidated to include Component Units)*

	FISCAL YEAR					
	Budget	Actual	Variance \$	Variance %	PY Actual	% Inc/(Dec) from PY
<u>Operating Revenues &amp; Grants</u>						
Rents & Other Tenant Revenue	\$ 1,458,806	\$ 1,446,337	\$ ( 12,468 )	-1%	\$ 1,904,471	-24%
Management Fees	\$ 551,971	\$ 1,479,763	\$ 927,793	168%	\$ 1,438,174	3%
Other Income	-	\$ 30,360	\$ 30,360	-	\$ 6,367	377%
Operating Grants Income	\$ 4,301,363	\$ 3,644,701	\$ ( 656,662 )	-15%	\$ 3,237,834	13%
Operating Revenues & Grants	\$ 6,312,139	\$ 6,601,162	\$ 289,023	5%	\$ 6,586,346	0%
<u>Operating Expenses</u>						
Salaries & Benefits	\$ 2,630,828	\$ 2,763,399	\$ 132,571	5%	\$ 3,040,493	-9%
Professional Services	\$ 1,63,066	\$ 560,478	\$ 453,812	425%	\$ 475,095	18%
General & Administrative	\$ 1,855,944	\$ 535,160	\$ ( 1,310,784 )	-71%	\$ 587,494	-9%
Housing Assistance Payments	\$ 1,755,000	\$ 1,685,529	\$ ( 69,471 )	-4%	\$ 1,787,245	-6%
Repairs & Maintenance	\$ 291,743	\$ 915,710	\$ 623,967	214%	\$ 251,895	264%
Utilities Expense	\$ 431,733	\$ 552,157	\$ 120,424	28%	\$ 426,117	30%
Depr & Amort Expense	\$ 551,754	\$ 551,754	-	0%	\$ 613,452	-10%
Operating Expenses	\$ 7,613,669	\$ 7,564,187	\$ ( 49,482 )	-1%	\$ 7,181,781	5%
Net Operating Income/(Loss)	\$ ( 1,301,530 )	\$ ( 983,025 )	\$ 338,505	-26%	\$ ( 594,945 )	62%
<u>Non-Operating Revenues &amp; Grants</u>						
Investment Income	\$ -	\$ 557,010	\$ 557,010	-	\$ 886,551	-37%
Non-Operating Grant Revenue	\$ -	\$ 209,527	\$ 209,527	-	\$ 1,134,647	-82%
Gain / (Loss) on Assets Sold	\$ -	\$ 150,243	\$ 150,243	-	\$ 802,978	-81%
Non-Operating Rev & Grants	\$ -	\$ 916,780	\$ 916,780	-	\$ 2,824,176	-68%
Non-Operating Expenses						
Other Non-Operating Expenses	\$ -	\$ ( 679,968 )	\$ ( 679,968 )	0%	\$ 63,595	-1169%
Interest Exp & Fiscal Charges	\$ 928,637	\$ 928,637	\$ -	-	\$ 1,241,698	-25%
Subsidies & Grants/Jade	\$ -	\$ -	\$ -	-	\$ 204,587	-100%
Non-Operating Expenses	\$ 928,637	\$ 243,669	\$ ( 679,968 )	-73%	\$ 1,509,880	-84%
Net Non-Operating Revenue / (Expense)	\$ ( 928,637 )	\$ 668,111	\$ 1,596,748	-172%	\$ 1,314,296	-49%
Change in Net Position-FYTD Income / (Loss)	\$ ( 2,230,167 )	\$ ( 294,914 )	\$ 1,935,253	-87%	\$ 719,351	-141%
Net Increase / (Decrease) Change in Net Position before Gain/(Loss) on Sale	\$ ( 2,230,167 )	\$ ( 445,157 )	\$ 1,785,010	-80%	\$ ( 83,627 )	432%

**HOUSING KITSAP**  
**Unaudited Statement of Cash Flow - For Management Purposes Only**  
**Nine Months Fiscal Year to Date as of March 31, 2018**

*HK BUSINESS TYPE ACTIVITIES ONLY (Not Consolidated to include Component Units)*

Cost of operations - FYTD Income / (Loss)	\$ ( 294,914 )
<b>Non-cash items included in cost of operations:</b>	
Add: Depreciation Expense	505,166
Add: Amortization Expense (Bond Discount/Premium and Deferred Amount on Refunding)	46,588
Add: Allowance for Resident Bad Debt	6,393
Add: Accrued Interest Expense (CLA)	300,216
Add: Accrued Interest Expense (LIHTC Bond Projects)	190,731
Add: Accrued Interest Expense (HK Properties)	11,296
Less: Amortization of Deferred Gain on Sale of Assets under Capital Lease	( 428,189 )
Less: Loan Conversion (SHOP Loan 10-2 and 11-1 Silview)	-
Adjusted Cost of Operations - Net Cash Provided (Used)	\$ 337,287
<b>Adjustments to reconcile income to net cash from operations:</b>	
(Increase) Decrease in Receivables	( 78,142 )
(Increase) Decrease in Inventories & Other Assets	-
(Increase) Decrease in Assets Held for Sale (Self Help Projects)	-
(Increase) Decrease in Restricted Assets	1,118,048
Increase (Decrease) in Payables & ST Interfund	196,178
Increase (Decrease) in Payables from Restricted Assets	-
Net Cash Provided (Used) by Operating Activities	1,236,085
<b>Cash Flow from Investing:</b>	
(Increase) Decrease in Investments	9,290
(Increase) Decrease in Capital Assets	(124,275)
(Increase) Decrease in Notes, Mortgages & Lease Receivables	( 431,757 )
(Increase) Decrease in Deferred Charges, net of Amort	-
(Increase) Decrease in Investment in Tax Credit Ptnshps	-
(Increase) Decrease in Interfund Receivable - LOC	-
(Increase) Decrease in Due from Component Units-LT	241,403
Net Cash Provided (Used) by Investing Activities	( 305,339 )
<b>Cash Flow from Financing:</b>	
Increase (Decrease) in Debt	(1,056,661)
Increase (Decrease) in Unearned Revenue & LT Interfund	-
Net Cash Provided (Used) by Financing Activities	( 1,056,661 )
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 211,371</b>
Add: Cash, beginning of the year	\$ 2,099,324
Cash, fiscal year to date	<u>\$ 2,310,695</u>
 Cash and Cash Equivalents, per Balance Sheet	 <u>\$ 2,310,695</u>